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SENSITIVE

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TREASURY FOR ANNE ALIKONIS

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SUBJECT: DONORS: NO BUSINESS AS USUAL FOR KENYA'S
CONSULTATIVE GROUP MEETING

REF: A. NAIROBI 539 (NOTAL)

[B](#). NAIROBI 504 (NOTAL)

[C](#). NAIROBI 195 (NOTAL)

[D](#). NAIROBI 514 (NOTAL)

[E](#). NAIROBI 616 (NOTAL)

[1](#)1. (SBU) Summary: On February 8, World Bank Kenya hosted the quarterly meeting of the Donor Coordination Group (DCG) at which near consensus was expressed that the planning for the April 11-12 annual Consultative Group Meeting (CG) for Kenya could not be "business as usual" in light of the resignation of the GOK's "Anti-Corruption Czar" John Githongo and the Government's lack of commitment to ending corruption. While no decision was reached on whether to postpone the CG, the donors will deliver a strong message to the GOK. Sweden will draft a memo from the DCG COMs to President Kibaki and Finance Minister Mwiraria. Following the delivery of the memo the signatories will release a press statement based on that text. Donors are also concerned over a local news article that Kenya is looking for new partners to provide budget support without attaching governance conditionality. A number of donors expressed dissatisfaction over the proposed return to Kenya of Dr. Jeffery Sachs February 22-25, citing concern the visit will provide additional comfort to the GOK that donors' continued assistance can be taken for granted. End Summary.

[1](#)2. (SBU) On February 8, World Bank Kenya hosted the quarterly meeting of the Donor Coordination Group (DCG). Following shortly after the resignation of the GOK's "Anti-Corruption Czar" John Githongo (Ref A), the discussion focused on governance issues and the response from donors in light of the planned April 11-12, 2005 annual Consultative Group Meeting for Kenya (CG). The donors were unanimous in noting that a strong message must be passed quickly to inform the GOK that there can be no "business as usual" in preparing for the CG or on the agenda. A number of donors expressed the opinion that the CG should be postponed. Others highlighted this as an opportunity to express publicly our joint concern that the Kibaki administration is not serious about fighting corruption and that the donor community cannot be expected to turn a blind eye to this reality when considering what levels of assistance to provide Kenya in the coming year. It was also agreed that should the CG go forward as scheduled, the interventions from donors should not be limited to progress reports on the various sectors, but should be an assessment of the GOK's performance as viewed through the governance prism.

[1](#)3. (SBU) Attending the February 8 DCG were representatives from the U.S. Embassy and USAID/Kenya, World Bank, IMF, UNDP, U.K and DfID, France and ADF, Sweden, Norway, Denmark, Finland, Switzerland, The Netherlands, Germany, Canada, and Japan.

UK Kicks off Governance Discussion

[1](#)4. (SBU) UK High Commissioner Edward Clay, whose speech on February 2 ramped up the current, very public, debate about the GOK's anti-corruption efforts (Ref B), opened up the discussion on governance by noting that the Kibaki government does not appear to understand how seriously the donors are reacting to its lack of tangible anti-corruption results, nor recognize that the administration itself is in peril from growing public dissatisfaction with the government's performance. Clay noted that in addition to the CG, an IMF mission is scheduled for early May to conduct a program appraisal. He concluded that the donors should inform the government that a significant change is needed in the coming weeks, if not days, if this calendar is to be met.

[1](#)5. (SBU) The Dutch Ambassador said the GOK needs to demonstrate that it merits continued international

assistance. She added that it is not true that the GOK is lacking resources. The donor-coordinating group on Governance, Justice, Law and Order Sector (GJLOS) reform program has provided tremendous support, but still the government has nothing to show from its side in terms of actually prosecuting cases of corruption. The Dutch Ambassador also struck a chord when noting that it is worrisome that President Kibaki has not personally made a statement about Githongo's resignation and apparently does not see the need to defend his administration against the growing chorus of critics.

16. (SBU) The German Ambassador expressed the opinion that it would not be credible for the DCG co-chair, Finance Minister Mwiraria, to preside over the CG. He asserted the DCG needs to present a unanimous message to the government that, as things currently stand, it would be difficult for donors to attend. The Canadian High Commissioner added that it is "surreal" for the CG to discuss further budget support when senior Kenyan officials are skimming budget allocations for their personal enrichment.

What's Next?

17. (SBU) While it was agreed that a strong message needs to be delivered from the group to President Kibaki and his ministers, no consensus was reached on the future of the April CG. Most donors will be going to capitals for further consultations. Sweden agreed to take the lead in drafting a memo from the DCG COMs to President Kibaki and Finance Minister Mwiraria. Following the delivery of the memo, the signatories will release a press statement based on that text. As noted in Ref E, as part of this coordinated strategy, individual donors and other DCG groupings will continue to speak out on corruption issues. Later the same day, eight "Like Minded" Donors (Canada, UK, U.S., Germany, Japan, Switzerland, Norway, and Sweden) released a statement on corruption that called on Kibaki to review the GOK's anti-corruption efforts and asked corrupt officials to step down. On February 9, the EU delegation in Kenya released a statement expressing concern about the GOK's commitment to fight corruption, and announcing that future EU funding would be dependent on the GOK's "seriousness and sense of urgency in addressing these issues." The same day, the Japanese Ambassador stated his country's concern about Kenya as an effective partner due to corruption.

No Agreement Yet on the CG

18. (SBU) The Japanese Ambassador, along with the World Bank, while agreeing with the seriousness of the message to be delivered, pointed out the difficulty in scheduling and planning for the CG, and noted that much administrative work had already been undertaken. The Swedish Ambassador added that the Harmonization, Alignment, and Coordination (HAC) subgroup of the DCG had already discussed possibly postponing the CG, but was concerned about losing this opportunity to deliver a strong message to Kenya. He also noted that the GOK would likely be happy to have the meeting postponed so that it does not have to answer difficult questions in this forum. Further, the GOK might be able to spin the decision to postpone as an "example" of donors not willing to support Kenya and its Economic Recovery Strategy.

19. (SBU) USAID Country Director added that in 1991 donors faced a similar situation but decided to go ahead with the CG at which the donor community announced their suspension of budget support out of concern for poor governance by the Moi government. In his opinion, this was a successful outcome for the CG. (USAID/K also noted that to date the USG has not recommitted to budget support for Kenya.)

10. (SBU) France offered the only dissenting view, stating that this situation calls for a "closer engagement" and a "real dialogue" with the GOK before considering any impact on the CG.

11. (SBU) The EU/EC representative indicated that a second tranche of budget support before the end of Kenya's fiscal year (June 30) is in no way assured given the GOK's apparent lack of seriousness about corruption. He noted that one EU program in Kenya is to improve public procurement procedures (which have been at the heart of the most public corruption cases) and that a team of technical experts are scheduled to do an audit of previous tenders to assess how the process can be improved. The EU may request that the auditors be allowed to examine one or more of the irregular procurements originating from the Office of the President.

Kenya Turns to Arab Donors?

12. (SBU) A number of participants referenced to a news article in that day's Daily Nation newspaper reporting the GOK is pursuing new budget assistance from Arab donors, citing OPEC, Kuwait, Saudi Arabia, and Arab Bank for Economic Development in Africa (BADEA). Of particular interest was the line, "Unlike other multilateral donors, Arab funding is free of conditions." It was noted that the GOK will lose additional credibility if it looks for additional budget assistance that does not require any performance benchmarks. The World Bank confirmed that most Arab donors, including OPEC, are members of the DCG, but generally do not attend.

Jeffery Sachs Will Return

13. (SBU) UNDP announced that Special Advisor to the UN Secretary General for the Millennium Development Project

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Jeffery Sachs plans to return to Kenya February 21-24. He will again wear two hats (Refs C and D), first in his capacity as the Director of Columbia University's Earth Institute and Millennium Village Project, in which he hopes to have donors and GOK officials join him in a visit to Sauri, his model village in Nyanza province. Second, he again hopes to meet with the DCG to discuss the Millennium Development Goals (MDG) and Kenya's status as a "fast-track" country for receiving massive amounts of additional budget and project assistance. There was little enthusiasm in the room for additional discussions with Sachs at a time when the pressing issue for most donors is whether or not to suspend or cut assistance to Kenya. There is a concern that Sachs' message will reassure the government that donors will continue to provide vital budget support even while they complain about corruption.

14. (SBU) A number of donors also expressed concern that Sachs and the MDG project are too focused on benchmarks culminating in a specific result in 2015, when it is clear that Kenya, and other developing countries, can not achieve a sustainable level of growth and development by that date.

Comment

15. (SBU) Rather than governing effectively, the GOK, through its official spokesman and a number of Ministers, is spending much of its time justifying the government's inaction on corruption and attacking those who speak out on the issue. This disconnect is clear to all of Kenya's partners, both donors and Kenyan civil society. The (almost) total consensus in DCG was remarkable, not only for the desire to use the planning of the CG as an opportunity to reiterate common concerns about the direction the Kibaki government is headed, but also in the shared indignation that the President and his close advisors appear to be taking the donors' goodwill (and checkbooks) for granted. We would expect all countries represented (with the possible exception of France) to sign a strongly-worded communique to Kibaki highlighting that the Consultative Group Meeting, if it happens, will reflect the group's assessment of Kenya's willingness to be an honest and effective partner. End Comment.

Rowe